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SENSITIVE

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SUBJECT: SAAKASHVILI MAKES FIRST STATE VISIT TO ARMENIA

1. (U) Sensitive but unclassified. Please protect accordingly.

SUMMARY

2. (SBU) Georgian President Mikhail Saakashvili paid his first state visit to Armenia March 11-12, praising the country and its president as an "ideal partner." Saakashvili and Armenian President Robert Kocharian focused their discussion on strengthening economic ties between the two countries and improving the situation in the Armenian-populated Georgian region of Javahketi. Armenian opposition leaders, who view Saakashvili's ascent to power as a model for their own anti-government campaign, saw their position undercut by the Georgian leader's warm public statements regarding his Armenian counterpart. END SUMMARY.

ECONOMIC TIES TO BE STRENGTHENED?

3. (SBU) GOAM officials endorsed Saakashvili's proposal for increased bilateral economic integration and the re-establishment of the Armenian-Georgian Commission on Economic Cooperation to be co-chaired by Armenian Prime Minister Andranik Margarian and Georgian State Minister Zurab Zhvania. Before Saakashvili's visit, Armenian authorities stressed the importance of reaching an accord to lower Georgia's freight charges on state-owned rail lines used by Armenia, which are substantially higher than those Georgia imposes on Azerbaijan. (Note: Approximately 80 percent of Armenia's trade transits through Georgia. Armenia has long contended that Georgia imposes discriminatory tariffs on freight from Armenia in violation of its WTO commitments. End Note.) Though Saakashvili and Kocharian reached no formal agreement on the freight tariffs, Saakashvili reiterated his support for economically integrating the countries through the removal of trade and immigration barriers. Deputy Minister of Industry and Trade Tigran Davtyan told us that Saakashvili promised to "solve" the freight charge issue. Armenian Foreign Minister Vartan Oskanian also endorsed in principle Saakashvili's proposal to re-start economic ties with Azerbaijan as a first step to reconciliation. He noted, however, that the Azerbaijani government has rejected such proposals in the past. Oskanian told us that discussions with Saakashvili had been "productive."

PRESIDENTS DISCUSS OPENING TWO RAILWAYS

4. (SBU) Kocharian and Oskanian pushed Saakashvili to support the re-opening of rail lines in the region. Of prime importance to Armenia is the long-closed railway running from Armenia to Russia through the breakaway Georgian province of Abkhazia. Kocharian hopes that Saakashvili will take a more conciliatory stand towards Abkhazia than his predecessor, Eduard Shevardnadze. Oskanian told journalists that the GOAM sought Saakashvili's help, as part of a larger Georgian effort to become engaged in regional dispute resolution, in pressuring Turkey to re-open an East-West rail line that connects the three countries. The Turkish blockade of Armenia has closed the Kars-Gyumri-Tbilisi rail line, and its opening would help end Armenia's economic isolation.

KOCHARIAN PLEDGES NO INTERFERENCE IN JAVAHKETI

5. (SBU) Saakashvili sought and received a pledge from Kocharian not to interfere with Georgia's administration of its ethnically Armenian province of

Javahketi. Saakashvili told a press conference that he appreciated Kocharian's "principled stand" on the Javahketi issue, and that he was "thankful to the Armenian president for his strict position on territorial integrity and stability in Georgia." Both presidents agreed to collaborate to find ways to improve the economic situation in the region, which is one of Georgia's poorest. In a joint declaration, Saakashvili and Kocharian noted the need to develop Javahketi, and as a first step build a road from Tbilisi to the region. (Note: This is a reaction to calls by the ARF, a partner in the governing coalition, for autonomy in Javahketi. Our recent contacts with the ARF leadership suggest they may have a slightly more nuanced view, and are clearly aware of the need for stability and keeping Javahketi as part of Georgia. They warmly welcomed the appointment of Nikoloz Nikolozishvili, the Georgian Ambassador to Armenia, as Governor of Javahketi. End Note.)

COMMENT: POSITIVE FIRST IMPRESSION

16. (SBU) Though no formal agreements were announced during Saakashvili's visit, the GOAM appears to be pleased at the reaffirmation of strong bilateral ties following the change of power in Tbilisi. The political turmoil in Georgia during the past four months had caused substantial consternation in Armenia, whose leadership feared that destabilization in Georgia could further isolate Armenia and potentially cause a severe economic crisis. Saakashvili seemed intent on not only maintaining the status quo, but also enhancing Georgia's relationship with Armenia. Saakashvili appeared more willing than his predecessor to lower Georgian freight tariffs and pursue an opening of the railway through Abkhazia, two long-standing desires of the GOAM.

17. (SBU) Saakashvili's visit potentially alters the domestic political situation in Armenia. The Georgian President's seemingly amiable relationship with Kocharian could possibly weaken the opposition's drive to unseat Kocharian. Saakashvili has been a model for the opposition leaders (Stepan Demirchian, Armen Sargsian, and Artashes Geghamian), who have consistently cited Georgia's "rose revolution" and Saakashvili as models for their announced "Hot Spring" campaign to bring down the Armenian government. While in Armenia, Saakashvili praised Kocharian past the point of diplomatic courtesy, telling journalists that "Armenia is fortunate to have such a president," and that Kocharian is an "ideal partner." Such statements by a man widely respected in Armenia could help deflate whatever slight momentum the opposition has gained in their continuing bid to oust Kocharian.

ORDWAY